

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BBF2064 – ISLAMIC BANKING AND FINANCE
(All sections / Groups)

25 FEBRUARY 2017
9.00 AM – 11.00 AM
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 3 pages with 4 Questions only.
2. PART A: Answer **ALL** questions (**COMPULSORY**).
PART B: Attempt **ANY TWO** questions only.
The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

PART A: Answer ALL questions (COMPULSORY)**QUESTION 1****Bank Islam To Start Islamic Pawn-Broking Services**

KUALA LUMPUR, Thursday [8 April 2010]: Bank Islam Malaysia Berhad ("Bank Islam") will start offering Islamic pawn-broking services to tap the huge potential of the increasingly popular financing option among small entrepreneurs.

The services will be offered through Bank Islam's new business venture established via the subscription of new shares in Farihan Corporation Sdn. Bhd ("FCSB") that will result in Bank Islam having a controlling stake in FCSB., which currently operates a strategically located outlet in Pasir Puteh, Kelantan.

Bank Islam Managing Director, Y.Bhg. Dato' Sri Zukri Samat announced the Bank's venture into Islamic pawn-broking at the signing of a Memorandum of Understanding (MOU) with FCSB today. The MOU was signed by Bank Islam's Strategic Relations, General Manager, Y.Bhg. Dato' Wan Ismail Wan Yusoh while FCSB Director and controlling shareholder, Encik Aziz Nawawi signed on behalf of FCSB.

Dato' Sri Zukri said that the new business model envisaged for the Islamic pawn broking financing scheme is underpinned by two distinct features of gold. These are the high liquidity and relative price stability which ensure almost immediate disposal at reasonable prices of the gold used as collateral. Therefore, a zero default rate can be expected for the financing extended through the Al-Rahn scheme.

"Besides, venturing into the Islamic pawn-broking business demonstrates our commitment to enhancing access to financing for the small business community, farmers and fishermen, in support of the Government's initiatives to reinvigorate the private sector's involvement in economic activities through Islamic banking as recommended by the Prime Minister in his Budget 2010 speech," he added.

(Source: <http://www.bankislam.com.my/en/news>, 2010)

1. Based on the extracted news from Bank Islam Malaysia Berhad (BIMB) above, answer the following questions:
 - A. The development of Islamic pawn-broking business in Malaysia applies few Islamic contracts/concepts in order to claim Shariah legitimacy. Name three (3) contracts/concepts and discuss their basic features. (12 Marks)
 - B. Provide five (5) important developments of Islamic pawn-broking financing in Malaysia. (15 Marks)
 - C. Provide a diagram on this Islamic pawn-broking financing together with one (1) example. (8 Marks)

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2. Malaysian Islamic Treasury Bills are short-term securities that issued by government of Malaysia as an alternative to the conventional treasury bills. This instruments are structured based on the Bay Al-'Inah principle where Bank Negara Malaysia, on behalf of the Malaysian government will sell the identified government's asset on competitive tender basis.

- A. What is the purpose of issuance Malaysian Islamic Treasury Bills? (5 Marks)
B. Suppose that Malaysian Islamic Trasury Bills has a face value of RM4,000,000 and is currently sold at a discount rate of 4.6%. Assuming that the number of days to maturity is 30 days, what is its proceeds? (10 Marks)
(Total: 50 marks)

PART B: Answer ANY TWO questions only.

QUESTION 1

- A. Islamic financial products are not limited only to profitable dealings. Non-profitable dealings also have been designed in order to support certain economic goals. Provide four (4) 'Islamic non-bank financial institutions' and discuss their role in Islamic society. (15 Marks)
B. When is a contract considered as valid (sahih)? (2 Marks)
C. Provide four (4) pillars of Shariah contract? (8 Marks)
(Total: 25 marks)

QUESTION 2

Islamic bonds or also known as Sukuk, is a type of financing which has been developed in the late 1990s in Baharin and Malaysia. The number of Sukuk issued in Malaysia is increasing and it can be classified based on Sharia'ah contracts. Briefly explain the following and provide diagrammatical illustration on:

- A. Mudharabah Sukuk (8 Marks)
B. Musyarakah Sukuk (8 marks)
C. Ijarah Sukuk (9 marks)
(Total: 25 marks)

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QUESTION 3

- A. Explain in details the structure of Hybrid Wakalah-Mudarabah Model products that are issued by Takaful companies by using a diagram. (15 Marks)
- B. In Islamic finance, profits are associated with risks and profit cannot be generated without bearing risks. Based on the statement, discuss what are the nature of market risks that associated with Salam and Ijarah contract? (10 Marks)

(Total: 25 marks)

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